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REGIONAL COOPERATION

Statement submitted by the Inter-Parliamentary Union, a non-governmental organization in consultative status with the Economic and Social Council, category I

The Secretariat has received the following statement, which is circulated in accordance with paragraphs 23 and 24 of Economic and Social Council resolution 1296 (XLIV) of 23 May 1968.

RECOMMENDATIONS OF THE INTER-PARLIAMENTARY CONFERENCE ON ECONOMIC COOPERATION IN THE ASIA-PACIFIC REGION*

(Jomtien, Thailand, 28 January - 1 February 1991)

1. The Inter-Parliamentary Conference on Economic Cooperation in the Asia-Pacific Region initiated a process of dialogue among parliamentarians for the stimulation of greater regional economic collaboration. It set out the rationale for attaching central importance to regional economic cooperation in the following terms:

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* This is an abridged version of the conclusions and recommendations of the Inter-Parliamentary Conference on Economic Cooperation in the Asia-Pacific Region, organized by the Inter-Parliamentary Union with the support of the United Nations Economic and Social Commission for Asia and the Pacific. The full text is available on request from the Inter-Parliamentary Union, Place du Petit Saconnex, 1211 Geneva 19.

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First, the growing strength of the economies of the region. With one fourth of the world's economic output and half the world's population, the region offers major opportunities for more intensive forms of regional economic cooperation. The resilience of the Asia-Pacific economy has already been amply demonstrated by its relative insulation from the worst effects of the economic and external debt crises of the 1980s;

Second, the range and diversity of resources, talent and enterprise available within the region create major complementarities for economic interaction. Countries within the region have the capital, technology, agricultural and mineral resources and skills which could be brought together for their mutual benefit through increased commerce;

Third, a strong regional economy constitutes an additional engine of growth to insure itself against the uncertain growth prospects in the rest of the world;

Fourth, the recent emergence of the Pacific Rim as the greatest trading area in the world, overtaking in size the trade across the Atlantic. The Asia-Pacific region should exploit these new trading opportunities. The Conference firmly believed that, with several important countries of the Asia-Pacific constituency of the Inter-Parliamentary Union clearly involved in the growing trade across the Pacific, their intensified economic contact with the region should enable the region as a whole to profit from the new focus on the Pacific.

2. The Conference agreed that, as a guiding principle, economic cooperation in the Asia-Pacific region should be complementary to subregional efforts, supportive of an open trading system and stimulate balanced growth across the region.

3. The Conference recognized the existence of subregional networks for trade and economic cooperation as a natural outcome of greater economic, political and security contacts among neighbouring countries. More such potential subregional groupings are in evidence. A notable trend is the growth of informal cross-border economic zones dependent for their success on the economic activities of neighbouring regions across frontiers. This again is a natural trend, which must be promoted rather than obstructed. However, over and above these subregions and cross-border economic zones, the Conference reaffirmed the strong need for closer cooperation at the level of the Asia-Pacific region. The Conference noted the significant role of Japan in the region's economic affairs and felt that newly industrializing economies also had an important contribution to make in promoting regional economic cooperation. The Conference strongly believed that every effort should be made to resolve areas of disagreement within the region in order to establish common negotiating positions with respect to tariff and non-tariff barriers, including tariff escalation clauses and trade in services and in tropical and agricultural products, so that the region may have a larger voice in the Uruguay Round.

4. The Conference stressed the need to pay particular attention to problems and issues concerning the environment and sustainable development. While recognizing that industrial development alone would offer the developing

countries the way out of poverty, the Conference considered it imperative that industrialization be promoted on the basis of environmentally benign technologies and that environmental safeguards be established when expanding both primary commodity and manufacturing sectors. Development and sharing of environmentally friendly technologies must therefore be a matter of high priority in regional development and cooperation. Developed countries have special responsibilities in this regard which should be discharged through the provision of financing and technology. In this context, support for the creation of a fund largely financed by developed countries was mentioned.

5. Issues relating to rapid population growth and consequent economic and social concerns are also an integral part in the promotion of regional economic cooperation. Among social concerns is the need to give due recognition to the role played by women in the economy and to ensure their participation as equal partners in the development process.

6. The Conference felt that, more than ever, the importance of the energy question in regional cooperation should now be fully recognized. The economic development of the Asia-Pacific region depends on the continuing and predictable supply of energy at reasonable prices. The region should consider the institution of appropriate forums to study and discuss energy implications of economic development. Efficient use of energy, the development of alternative fuel technologies and alternative energy sources are particularly important in this regard.

7. The Conference deliberated on four aspects of regional economic cooperation which, it felt, were crucial to the economic welfare of the countries of the region - cooperation in the area of primary commodities, industrialization, the services sector, and investment, technology transfer and technical cooperation.

Primary commodities

8. Many factors, especially those of persistent oversupply and protectionist policies have converged to cause secular declines in real prices over the long term and sharp fluctuations of both prices and earnings over the short term. The regional market offers many opportunities for expansion of commodity trade. With rising per capita incomes in the region, commodity consumption is expected to expand and trade barriers which impede consumption need to be eliminated gradually. Though these barriers might be beneficial to the balance of payments of importing countries in the short term, they have a long-term adverse impact on trade and economic growth. Countries of the region have an important comparative advantage in the production of commodities, and complementarities arising from the diversity of commodity production as between countries need to be exploited to promote mutually beneficial trading relationships.

9. International commodity agreements have their limitations in stabilizing the commodity economy, and alternative measures are required to stabilize and stimulate international commodity trade. Among them are measures to add value to commodities through greater processing, reduction of barriers to trade in processed products, supply of capital for investment in the commodity sector and appropriate forms of compensatory finance.

Industrialization

10. Countries of the Asia-Pacific region, especially in the western Pacific Rim, represented the fastest growing region of the world economy in the 1980s. This was achieved through the restructuring of their economies that increased the share of manufacturing in their respective gross domestic products and exports. Measures of economic liberalization and outward orientation of economies, the expansion of the world economy in the 1980s, the flow of foreign direct investment and the availability of trained human resources have all been factors contributing to regional economic growth. To enhance the process of industrialization, domestic and international action to sustain these favourable factors are required. The Uruguay Round needs to be completed successfully to maintain an open world trading system; small- and medium-scale industries, rural industrialization and appropriate technology must be fully integrated into the industrialization process; environmental and population dimensions must be taken into account to ensure sustainable development; market reform without jeopardizing a fairer distribution of income needs to be undertaken and the private sector should be stimulated.

Services sector

11. The services sector has an important contribution to make to economic development. Among its many subsectors, priority in the regional context might be assigned to the development of transport, telecommunications, tourism, technology, banking and insurance, and migrant earnings. Within the Uruguay Round, the special circumstances of developing countries with weak services sectors should be recognized to enable their appropriate development. Developing countries should be accorded special and preferential treatment for trade in services as has been the case for trade in goods. There should be simultaneous liberalization of restrictions in the movement of labour and capital internationally. At the regional level, the establishment of centres of excellence and institutions of higher learning and greater cooperation in research and development and in science and technology are required to develop the comparative advantage enjoyed by the region.

Investment and technology transfer

12. Foreign direct investment has generally not been a major contributor to the foreign financing needs of the region's developing countries in the past. For low-income countries, official flows are significant and their stagnation is a cause for concern. A concerted effort is required to attract foreign direct investment and improve the quality and quantity of official flows. The negotiating capacity of host countries requires strengthening to enable them to extract the maximum benefits from foreign investment. Harmonization of incentives offered to the investors is an area that needs to be explored.

13. Several major issues in technology transfer need to be addressed by developing Asia-Pacific countries. These include appropriate selection and modification of borrowed technology, resolution of the conflict of public and private interest in technology transfer, provision of adequate rewards and incentives for inventions and discoveries, protection of intellectual property rights, enhancement of the role of international and national organizations in broadening technology bases and widening technology dissemination, and reversal of the brain drain in science and technology.

International action

14. The Conference recognized that several issues raised during the discussions required more concerted action by member Governments and international organizations. International and regional organizations had a critical role in initiating specific programmes of action to achieve the objectives of the Conference. The Conference strongly recommended that organizations such as the United Nations Development Programme (UNDP), the Asian Development Bank and the Economic and Social Commission for Asia and the Pacific (ESCAP), which have both financial and technical capacities to promote regional cooperation initiatives, should, as a matter of high priority, assist the implementation of measures agreed to at the Conference.

15. Several proposals made at the Conference require early action:

(a) The feasibility of establishing an energy forum for the discussion of common issues relating to the supply of and demand for energy in the region should be explored soon by ESCAP;

(b) Improved forms of land transport hold the key to reductions in transport costs and ease of communications in the region, especially with regard to land-locked and least developed countries. ESCAP should undertake a detailed study for an umbrella convention for land transport, including roads and transnational highways, railways and other forms of transport;

(c) The proposal for a contingency fund to meet urgent needs of poorer developing countries in the region should be considered by the Asian Development Bank and relevant multilateral agencies;

(d) ESCAP and the United Nations Conference on Trade and Development (UNCTAD) should study schemes for compensatory finance for shortfalls in commodity earnings;

(e) ESCAP should undertake a study on incentives for foreign direct investment in the region, with a view to harmonization;

(f) International and regional agencies should compile reliable up-to-date statistics on intraregional transactions and seek to improve regional statistics. A particular area for immediate action should be statistics relating to the services sector;

(g) The feasibility of creating an Asian monetary fund in order to attain the goals of economic cooperation and development should be studied (in this connection, mention was made of a previous study by the Economic Commission for Asia and the Far East (ECAFE) (now ESCAP) on an Asian reserve bank).